



ANNUAL REPORT 1997/1998



FOREST
RENEWAL BC

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MESSAGE FROM THE MINISTER	2
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MESSAGE FROM THE CHAIR OF THE BOARD	2
---	---

FOREST RENEWAL BC: A CORPORATE PROFILE

Mandate	3
---------------	---

Structure	3
-----------------	---

Funding	3
---------------	---

Regional Equity	3
-----------------------	---

1997/98 IN REVIEW	4
-------------------------	---

1997/98 Investment Achievements	4
---------------------------------------	---

1997/98 Corporate Initiatives	5
-------------------------------------	---

THE PROGRAMS

Introduction	10
--------------------	----

Land and Environment	11
----------------------------	----

Worker and Community Transition	15
---------------------------------------	----

Diversification	19
-----------------------	----

Programs Common to All Investment Themes	21
--	----

REGIONAL INVESTMENTS IN 1997/98	23
---------------------------------------	----

FINANCIAL STATEMENTS

Management Report	26
-------------------------	----

Report of the Auditor General of British Columbia	27
---	----

Consolidated Statement of Financial Position	28
--	----

Consolidated Statement of Operations	29
--	----

Consolidated Statement of Changes in Net Assets	29
---	----

Consolidated Statement of Cash Flows	30
--	----

Schedule of Project Expenditures by Region and Activity Area	31
--	----

Notes to the Consolidated Financial Statements	32
--	----

APPENDICES

A. Forest Renewal BC Funding Principles	36
---	----

B. Forest Renewal BC Board of Directors	37
---	----

C. Forest Renewal BC Advisory Committees	38
--	----

D. Forest Renewal BC Offices	40
------------------------------------	----

TABLES

Table 1: 1997/98 Year End Actual Expenditures, by Investment Theme, by Region	8
--	---

Table 2: Jobs Created in 1997/98, by Region (Land-based Programs)	11
--	----

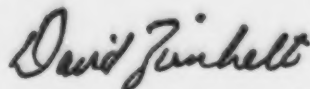
Table 3: Number of Workers Trained under Worker and Community Transition Programs in 1997/98	18
---	----

Message from the Minister

Moving forestry forward in B.C. requires two things—vision and action. Forest Renewal BC's vision, which is shared by all British Columbians, is for healthy forests over the long term, and a more prosperous industry into the future. It is a vision that guides Forest Renewal BC's actions: a sound investment plan, supporting vital work, across a full range of forest renewal activities.

Through efficient and effective forest-sector investments, Forest Renewal BC is making a major contribution every year to renewing the province's forests and providing greater economic stability for forest companies, workers and communities.

For all of us who are dedicated to strengthening forestry in B.C., now and for the future, each year brings fresh insight, higher goals, and exciting new achievements. We move forward together. I'm pleased to submit Forest Renewal BC's annual report for the year ended March 31, 1998.



Honourable David Zirnelt
Minister of Forests



Message from the Chair of the Board



In response to a rapidly changing forest sector, Forest Renewal BC was established in 1994 to plan and implement a program of investments that would enable the transition to a more sustainable, productive and competitive forest economy.

Step by step, we are doing that. In 1997/98, in line with its original overall investment targets, Forest Renewal BC invested \$596 million in projects throughout the province. That was more than the total of the previous three years combined.

Over its young life, the organization has shown remarkable adaptability in responding to the challenges of domestic and global market stresses. With corporate administration costs at 5 per cent, Forest Renewal BC continues to improve the way it does business, constantly refining the delivery of renewal projects to increase performance efficiency.

Forests and forest lands have provided the people of British Columbia with so much. As a working partnership, Forest Renewal BC is making real progress giving something back—reinvesting in that precious natural bounty. That includes investing throughout the province in forest communities, working with people who are dedicated to building a viable forest sector for the future. More than ever, the benefits of Forest Renewal BC-funded projects are clear in every region.

The work continues. Forest Renewal BC is committed to making sound investments to carry out forest work that makes a difference over the long term. British Columbians expect nothing less.



Roger Stanyer
Chair of the Board, Forest Renewal BC

MANDATE Forest Renewal BC was established in 1994. The provincial Crown corporation is an investment agency with a clear, focused mandate: *To plan and implement a program of investments to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend upon the forest industry.*

Working with forest companies, workers, First Nations, environmental groups, communities and government, we help create a healthier, sustainable, more productive and globally competitive forest economy in B.C. In all of our activities, we promote regional equity and participation, wide representation for stakeholder groups, and sensitivity to the needs of the environment.

Forest Renewal BC reports to the Minister of Forests. Our accounts are audited by the Auditor General of British Columbia, and our business plan is reviewed by the Select Standing Committee on Forests, Energy, Mines and Petroleum Resources, a multi-party committee of the Legislature.

STRUCTURE Forest Renewal BC is governed by an 18-member board of directors, including 12 members from the private sector and six from the provincial government. The board members, who represent the major stakeholder groups, ensure that our activities are in keeping with our mandate. The board also sets our strategic priorities, and reviews and approves our investment and operational plans. Specialized committees advise the board on how best to invest in, foster and develop new programs and policies.

The corporation has six regional offices, located in Williams Lake, Prince George, Kamloops, Smithers, Cranbrook and Campbell River. Regional staff work with communities, groups and individuals to ensure that there is local involvement in regional investment plans and priorities. (Forest Renewal BC does not deliver programs; individual companies, associations, unions, communities, environmental

and other groups are responsible for project implementation.)

Forest Renewal BC executive and corporate support staff are located in Victoria.

FUNDING Funding for Forest Renewal BC comes from stumpage paid by forest companies for the right to harvest timber on Crown land in British Columbia. The Crown owns 94 per cent of the land in the province.

Under the authority of the *Forest Renewal Act*, the corporation is entitled to 80 per cent of the increases in stumpage resulting from changes to the *Forest Act* in 1994, minus an offset of \$50 million annually. The amount we receive each year varies, because stumpage revenue is sensitive to harvest levels, the Canada/U.S. exchange rate, and a volatile lumber market.

To safeguard program funds against several consecutive years of low revenues, a program continuity fund was established in 1995/96.

At the end of 1997/98, the fund stood at \$400 million.

REGIONAL EQUITY The *Forest Renewal Act* requires that our programs and expenditures be regionally equitable. In the short term, we may invest more heavily in a region where the challenges facing the forest sector are greater, even though less stumpage revenue may be coming from that region.

1997/98 in Review

Forest Renewal BC set ambitious goals for 1997/98, both in terms of investment levels and organizational change.

The 1997/98 *Business Plan* articulated the corporation's investment priorities and targets, and outlined several major corporate initiatives for the fiscal year.

Based on strategic direction from the Board of Directors, the *Plan* called for investments totalling \$559 million under three major investment themes: Land and Environment, Worker and Community Transition, and Diversification. An additional \$66 million was budgeted for contingency expenditures during the year.

These investment themes reflected the corporation's core business activities. Land and Environment investments, targeted at \$431.5 million, focused on funding priority land-based projects that enhance the productive capacity and environmental values of B.C.'s forest lands. Worker and Community Transition investments, targeted at \$98.3 million, assisted the forest industry, forest workers, and forest-dependent communities in dealing with significant changes in forest-sector economic performance and employment levels. Diversification investments, targeted at \$29.2 million, supported and encouraged forest industry diversification, expansion of the value-added sector, and stabilization and expansion of forest-dependent community economies and forest-sector businesses.

As this report will illustrate, the corporation and its partners capably met the challenges set out in the 1997/98 *Business Plan*. Indeed, during the year, Forest Renewal BC invested a record \$596.3 million in B.C.'s forests, the forest sector, its workers, and forest-dependent communities. Further, the corporation successfully completed several major corporate initiatives during the year to increase organizational effectiveness and efficiency.



1997/98 INVESTMENT ACHIEVEMENTS

During 1997/98, Forest Renewal BC invested a total of \$596.3 million. This record investment amount—more than the total of the previous three years combined—created a record level of more than 7,000 person-years of employment, in the Land-Based Programs alone.



Under Land and Environment, Forest Renewal BC invested \$499.2 million dollars in a wide variety of activities, under several programs. Among other things, this investment resulted in treatment of more than 119,000 hectares of land, with planning and surveying activities on an additional 550,000 hectares. In total, Land and Environment investments created more than 7,040 person-years of direct employment. Over the longer term, silviculture treatments implemented this year are expected to produce more than 5 million cubic metres of new timber potentially available for future harvesting. This will help ensure that B.C.



has a sustainable supply of timber in the future, and create 7,000 direct and 6,000 indirect new, long-term forest-sector jobs.¹

As anticipated in the *Business Plan*, contingency funding was used to increase Land and Environment investments above the planned core target of \$431.5 million. This allowed Forest Renewal BC to

address more of the priority investment opportunities in enhanced forestry, watershed restoration, and resource inventory identified by proponents and resource ministries. More than 400 watersheds benefited from restoration investments designed to reduce the risk of sediment loading in streams,

increase the amount of habitat available for fish reproduction, and improve drinking water quality in community watersheds.

Major investments also brought significant gains in collecting vital information. Obtaining new resource inventory data, and providing information infrastructure and training will continue to improve land-use planning and resource management decision making in British Columbia. It is also key to ensuring sustainable forest management, and will help the B.C. forest sector meet product certification standards. A total of \$121 million was invested in more than 700 separate inventory projects, on subjects ranging from mountain caribou to slope stability.

The corporation invested \$74.9 million under the Worker and Community Transition investment theme, helping forest-dependent communities and forest-sector employers and employees throughout the province deal with the challenges of continued change. These investments helped more than 9,880 individuals receive training, and assisted another 2,578 displaced forest workers in making the transition to new employment. In total, 441 person-years of employment were created to deliver the Worker and Community Transition programs—which was 60 per cent higher than what had been projected—even though actual expenditures under this theme were lower than predicted in the *Business Plan*.

Under the Diversification investment theme, Forest Renewal BC invested more than \$22.2 million to support initiatives encouraging forest industry diversification, increased value-added manufacturing and sector competitiveness, and forest-sector business development. For example, through partnership investments with community-

based lenders, Forest Renewal BC helped provide more than 220 loans to small and medium-sized forest-sector businesses throughout the province. As well, Forest Renewal BC partnered with the value-added sector, to encourage sector growth and expansion, by investing in national and international marketing of B.C.-made value-added products.

Global market conditions made 1997/98 a difficult and challenging year for the forest industry. But Forest Renewal BC's investments had a significant impact on B.C.'s forest sector, contributing significantly to forests, forest workers, and forest-dependent communities in all regions of the province.

1997/98 CORPORATE INITIATIVES

During 1997/98, Forest Renewal BC completed several major corporate initiatives, many of which were highlighted in the corporation's *1997/98 Business Plan*.

New Land-based Planning and Delivery Through Multi-Year Agreements

In 1997/98, the corporation fundamentally redesigned its land-based investment planning, delivery, and contracting processes, to ensure more effective and efficient investment delivery. The creation of new Multi-Year Agreements (MYAs) for major proponents is intended to increase proponent flexibility in managing projects, encourage long-range project planning, and reduce administrative red tape, ensuring that the maximum possible proportion of project investments makes it onto the ground. Forest Renewal BC staff worked throughout the year with industry representatives and resource ministries to reconfigure land-based investment planning processes and finalize MYA contract negotiations.

1. Based on calculations using Forest Renewal BC data and a Ministry of Forests estimator program.



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To ensure that Forest Renewal BC's land-based investments are targeted to the highest-priority resource needs, the corporation contracted with the resource ministries to prepare district and regional resource management plans. Local planning-unit tables, comprised of major proponents and Forest Renewal BC partners, were created to review the plans and recommend priorities for local land-based investments.

Person-years of Direct Employment

One of Forest Renewal BC's objectives is to create employment. That includes creating new employment as well as maintaining current forest-sector jobs.

In six programs—Enhanced Forestry, Watershed Restoration, Bridge Replacement, Roads and Bridges, Recreation and Recreation Site Operations—because of the seasonal nature of a great deal of the forestry work, one person-year is equal to 180 days of employment, based on an eight-hour work day.

In all other programs one person-year is equal to 220 days of employment, based on an eight-hour work day.

Forest Renewal BC measures the employment created by its investments. Most of these jobs result from investments in Land and Environment Programs—for example, the number of jobs created by a silviculture or watershed restoration project. In some cases, the corporation also measures the number of jobs created as a consequence of its investments—for example, the number of jobs that are created or maintained because of start-up loans to new or existing forest businesses.

Planning, design and implementation of the new land-based investment planning process and MYA contracts were major undertakings, requiring a significant portion of the corporation's resources. These two initiatives were, however, vital components of the corporation's long-term organizational evolution to a smaller, more efficient, planning-based investment agency.



Regional Consultations

Throughout the province, the corporation undertook extensive regional consultations to gain stakeholder, partner and public input into regional investment

needs and priorities. The information from these consultations was incorporated into other corporate planning processes, such as the local land-based investment planning tables, to ensure wider stakeholder input into investment selection. Outputs from most of these regional advisory processes were mid- to long-term priority statements. This information and advice will guide the development of regional investment plans for several years to come.

First Nations Participation

In addition to the regional consultations, the corporation continued throughout the year to review progress on its specific commitment to encourage First Nations involvement in forestry activities. The corporation quantified the current level of First Nations involvement in Forest Renewal BC activities, and examined the potential impacts of changes in land-based investment planning on First Nations participation. Based on this background information, Forest Renewal BC will determine, in the coming year, whether any new guidelines or policies are needed to maintain the corporation's commitment on First Nations participation.

Creating New Forest Opportunities

In early 1998, as part of its Jobs and Timber Accord commitments, Forest Renewal BC created New Forest Opportunities Ltd. as a subsidiary. A forest worker agency, the company's mandate is the priority hiring of displaced forest workers on Forest Renewal BC-funded projects in coastal British Columbia.

Improving Information Systems

After considerable planning and design, the corporation was ready by year end to begin implementing both a new financial system and a new Information Management System. The development of the

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Improving Information Systems

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system, a major corporate undertaking, impacted all divisions of the corporation, and was critical to Forest Renewal BC's corporate initiative to increase organizational effectiveness and efficiency. And by allowing proponents to enter data and reporting information directly into Forest Renewal BC's system, the new Information Management System will improve the efficiency of investment planning and management, as well as investment outcome reporting.



Strategic Review

During 1997/98, Forest Renewal BC's board of directors began a detailed review of the corporation's strategic direction and existing programs. This included considering several potential new investment programs. As a result of this review, in early 1998 the board began designing a new strategic plan to guide Forest Renewal BC in its second five years of operation (i.e., beginning April 1, 1999). As part of this strategic planning initiative, the board confirmed the corporation's move to a performance-based management model. As a result, board and staff began developing new corporate strategic objectives and performance measures for Forest Renewal BC's major investment themes.

A number of new programs were under development in 1997/98. The board approved the implementation of five that are in keeping with its new strategic direction: Tree Improvement, Crown Land-Use Planning, Private Forest Biodiversity, Foundation Skills, and Technology Transfer. Details are provided in the "Programs" section.

TABLE 1: 1997-98 YEAR-END ACTUAL EXPENDITURES BY INVESTMENT THEME BY REGION

Region: Investment Theme:	Cariboo- Chilcotin	Kootenay- Boundary	Omineca- Peace	Pacific	Sheena- Bulkley	Thompson- Okanagan	Province- wide	Actual Total
LAND AND ENVIRONMENT								
Enhanced Forestry	\$13,120	\$8,956	\$24,651	\$22,220	\$13,110	\$12,004	\$16,858	\$110,919
Backlog Silviculture	4,804	5,112	7,422	4,974	7,926	7,710	11,231	49,179
Resource Inventory	10,637	8,997	27,792	14,145	11,697	11,283	36,471	121,022
Watershed Restoration	9,936	13,299	9,865	48,993	10,912	15,668	22,648	131,321
Recreation	2,212	2,233	2,891	16,290	2,293	3,873	392	30,184
Woodlot Expansion	317	450	748	509	121	609	633	3,387
Research	1,144	1,862	3,309	18,364	1,628	4,303	3,382	33,992
Private Forest Lands/Biodiversity	3,095	—	—	—	—	—	120	3,215
Tree Improvement	—	—	—	—	—	—	1,936	1,936
Crown Land-use Planning	—	—	—	—	—	—	2,205	2,205
Endowment	—	—	—	—	—	—	2	2
Other Proposals	40	10	760	5,287	3,690	15	2,055	11,857
TOTAL	45,305	40,919	77,438	130,782	51,377	55,465	97,933	499,219
WORKER/COMMUNITY TRANSITION								
Forest Worker Transition	485	819	752	25,797	332	565	223	28,973
Land-based Training Program	345	678	223	7,770	301	1,465	122	10,904
Value-added Training	815	936	108	2,239	632	625	—	5,355
Forest Worker Employment and Training	1,550	287	83	1,092	607	43	673	4,335
Sectoral Training Initiatives	—	—	282	125	164	—	7,072	7,643
Forest and Resource Technology	—	596	—	47	616	—	235	1,494
Forest Community Economic Development	523	787	619	890	793	580	157	4,349
Community Renewal	152	290	365	833	—	367	—	2,007
Forest Worker Employment Agency	—	—	—	484	—	—	1,703	2,187
Bursary	—	—	—	—	—	—	107	107
Research	241	248	429	817	291	240	203	2,469
Regional Advisory Process	141	24	80	142	112	90	—	589
Endowment	—	—	—	—	—	—	2	2
Foundation Skills Training	—	251	—	—	—	—	679	930
Other Proposals	1,270	46	358	830	239	23	794	3,560
TOTAL	5,522	4,962	3,299	41,066	4,087	3,998	11,970	74,904
DIVERSIFICATION								
Forest Community Business	—	214	4,301	—	2,224	400	2,631	9,770
Value-added Finance	—	—	—	—	—	—	5	5
Wood Supply	—	—	—	—	—	—	154	154
Value-added Marketing	181	230	15	1,563	—	86	1,639	3,714
Value-added Industry Diversification	307	166	374	195	25	121	53	1,241
Forests Excellence Awards	—	—	—	—	—	—	182	182
Forestry Innovation Development	—	—	—	9	—	—	475	484
Research	72	128	135	1,521	141	244	52	2,293
Technology Transfer	—	—	—	—	—	11	84	95
Endowment	—	270	—	—	—	—	4,001	4,271
TOTAL	560	1,008	4,824	3,288	2,389	862	9,276	22,209
TOTAL ALL THEMES/PROGRAMS¹	51,387	46,889	85,562	175,136	57,854	60,325	119,179	596,334
Province-wide Allocation	14,095	15,737	26,903	31,601	16,438	14,406	(119,179)	—
TOTALS⁽¹⁺²⁾	\$65,482	\$62,626	\$112,465	\$206,737	\$74,292	\$74,731	—	\$596,334

¹ Totals may not add up due to rounding. ² Totals include Province-wide Allocation.

The Programs

INTRODUCTION

As part of its shift to new financial and information management systems in 1997/98, Forest Renewal BC addressed key operational issues about how forest renewal work is targeted, planned, delivered, measured, recorded and reported.

Since start-up, the methods for dealing with these aspects of the corporation's work have continued to evolve. Forest Renewal BC has taken great care to move step-by-step to implement procedures and formats that accurately capture how much and what type of work is carried out with its investments. This approach was necessary because of the inherent difficulties involved in systematically collecting and interpreting data. Forest Renewal BC's work involves a wide range of geographical settings, activities, proponents, and partners across all ecological regions of the province. Collecting and measuring data is an ongoing challenge—and one that can determine how successful the corporation is in recording outputs that meet its projected targets.

In 1997/98, two additional factors influenced the corporation's ability to reach its achievement targets: a short field season, and high business plan projections.

Short Field Season

The 1997/98 field season was cut short by two events, resulting in less work being completed and, consequently, lower-than-anticipated outputs for some Land-based Programs. The first event was the corporation's decision, after program expenditures had been allocated in a preliminary business plan, to invest in the Backlog Silviculture Program (see page 12). As a result of that new investment commitment, funding had to be reallocated, and start-up was

delayed for many of the programs. The work season was further curtailed by an early and severe winter in northern and central B.C.

High Business Plan Projections

For the most part, projected targets in the 1997/98 *Business Plan* were calculated using coefficients, which are ratios that estimate the expected results for dollars spent. Two problems arose with the development of those coefficients and targets. First, they were estimated based on limited data from previous years. (The effect of this should diminish in coming reporting periods, as a predictive set of data is being built and refined with each year's work.) Second, significant cost differences realistically exist between different treatments under the same overall activity. In some cases, the differences may amount to tens of thousands of dollars (e.g., the cost of in-stream watershed restoration treatments versus the cost of off-channel work). The cost of carrying out the same work also varies by ecological zone.

Shifts in program funding in the planned activities and between ecological zones from the time the *Business Plan* was finalized to the time the workplans were formulated also had an impact on the accuracy of the coefficients and targets. The *Business Plan* targets will continue to be estimates only, and actual output targets will be set under individual contracts with delivery agents.

Variable Output Measurement

Delivery agents such as the Ministry of Forests, the Ministry of Environment, Lands and Parks, and the Science Council of B.C. reported on investment results through BC Stats, the agency hired by Forest Renewal BC to collect and interpret data. Each agency reported against different factors, but where overlap occurred, reported findings showed discrepancies. Several factors account for this:

- Different units of measure were used in collecting and recording data (e.g., area completed, by hectare, versus distance completed, by kilometre).
- Multiple treatments in a single forest stand or reach of stream were reported by proponents as either separate multiple treatments, or lumped together as a single treatment.
- Definition and measurement of achievements were inconsistent among the agencies (e.g., a treatment undertaken on 500 metres

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of stream may affect 5 kilometres of stream, and may be variously reported by proponents as 500 metres of a specific treatment, or 5 kilometres of rehabilitation).

These problems are being addressed in two ways: the multiple contracting and reporting avenues are being replaced with a single Investment Management System, into which proponents can report directly; and definitions and business rules for all measures are being more tightly defined.

LAND AND ENVIRONMENT PROGRAMS

Planned Investment: \$431.5 million

1997/98 Investment: \$499.2 million

The nine Land and Environment programs funded in 1997/98 focused on funding priority land-based projects that enhance the productive capacity and environmental values of British Columbia's forest lands. These programs generated more than 7,000 person-years of employment in 1997/98, and workers were employed in every region of the province.

In its 1997/98 *Business Plan*, Forest Renewal BC organized programs into three investment themes:

- Land and Environment, for priority land-based work that enhances productive capacity and environmental value of forest lands,
- Worker and Community Transition, for training and other assistance to displaced forest workers and to communities, and
- Diversification, for value-added industry support.

The program information that follows is organized by these three investment themes.

All "Planned Investment" figures that preface the program notes are quoted from the Forest Renewal BC 1997/98 *Business Plan*.

TABLE 1. PERSON YEARS OF EMPLOYMENT IN LAND AND ENVIRONMENT PROGRAM

Region	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Total
PERSON YEARS OF EMPLOYMENT							
Land and Environment	688	919	1,431	2,121	765	1,124	7,048

From BC Stats Report 1997/98.

ENHANCED FORESTRY PROGRAM

Planned Investment: \$101.0 million

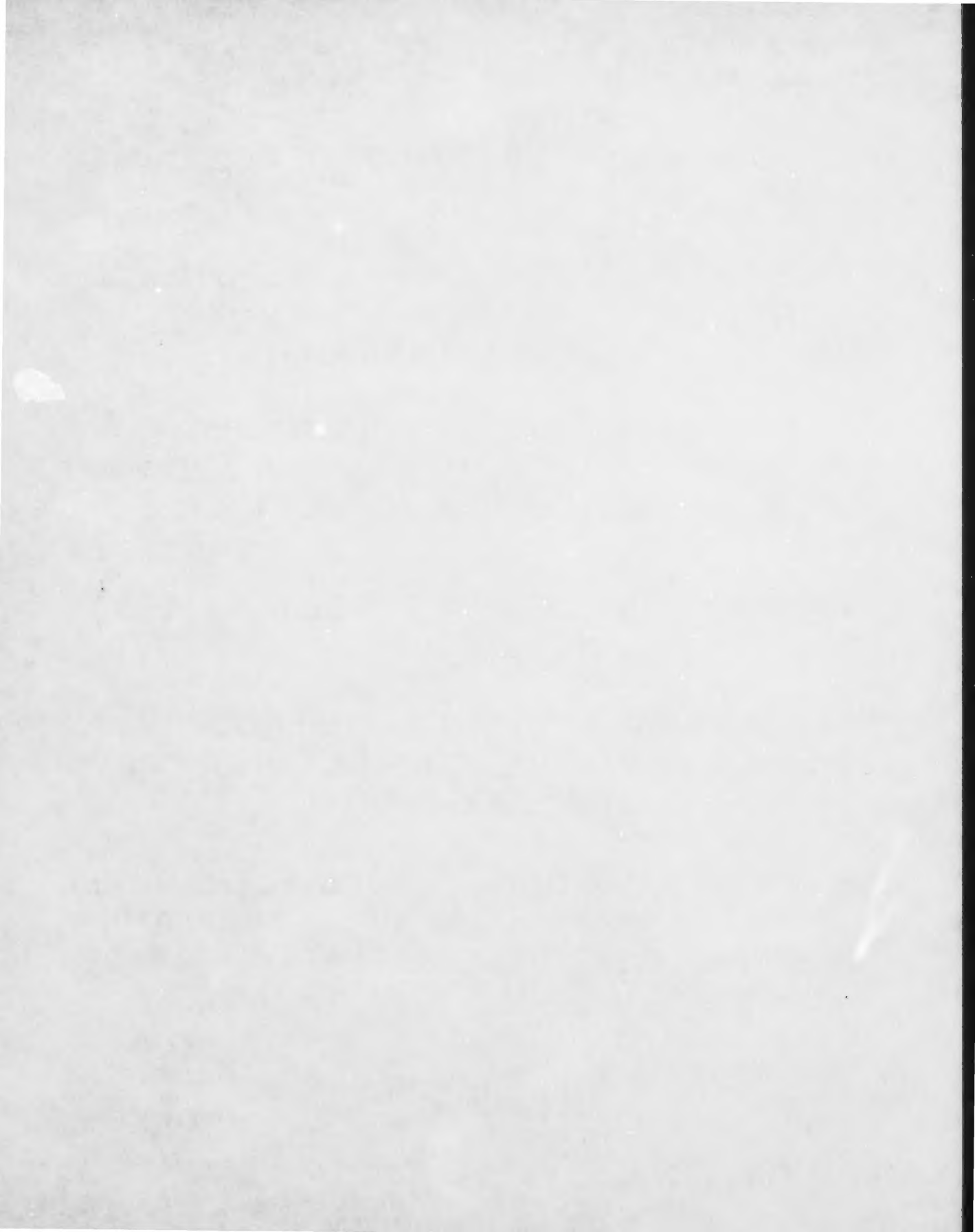
1997/98 Investment: \$110.9 million

The objective of this program is to increase the wood value and volume of the province's second-growth forests. Planned management treatments—beyond forest tenure-holders' legal obligations—are funded by Forest Renewal BC to enhance or maintain the wood quality, growth rates, and piece size of the new forests. Producing faster-growing, individually larger trees can reduce the number of years before harvesting is economically viable.

Forest Renewal BC-funded treatments, which are planned and approved by professional foresters, are designed to sustain the economic value of the growing stock, while recognizing present and future social and environmental values. The productive capacity of

forests is enhanced by investments in stand tending, including stand improvement, spacing, pruning, fertilizing, and forest health activities. It is also enhanced by continuous improvements in knowledge (e.g., through studies, training materials, and monitoring operational-scale trials of forest management activities).

In the 1997/98 fiscal year, the corporation shifted its forest health treatment priority from mature stands to second-growth forests, to focus its investment on second-growth forests. However, aerial and ground surveys showed that second-growth forests required less treatment than originally anticipated, so plans were amended to carry out fewer treatments.



of stream may affect 5 kilometres of stream, and may be variously reported by proponents as 500 metres of a specific treatment, or 5 kilometres of rehabilitation).

These problems are being addressed in two ways: the multiple contracting and reporting avenues are being replaced with a single Investment Management System, into which proponents can report directly; and definitions and business rules for all measures are being more tightly defined.

LAND AND ENVIRONMENT PROGRAMS

Planned Investment: \$431.5 million

1997/98 Investment: \$499.2 million

The nine Land and Environment programs funded in 1997/98 focused on funding priority land-based projects that enhance the productive capacity and environmental values of British Columbia's forest lands. These programs generated more than 7,000 person-years of employment in 1997/98, and workers were employed in every region of the province.

PERSON YEARS OF EMPLOYMENT BY LAND AND ENVIRONMENT PROGRAM							
Region	Cariboo-Chilcoffin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Total
PERSON YEARS OF EMPLOYMENT							
Land and Environment	688	919	1,431	2,121	765	1,124	7,048
From BC State Report 1997/98.							

ENHANCED FORESTRY PROGRAM

Planned Investment: \$101.0 million

1997/98 Investment: \$110.9 million

The objective of this program is to increase the wood value and volume of the province's second-growth forests. Planned management treatments—beyond forest tenure-holders' legal obligations—are funded by Forest Renewal BC to enhance or maintain the wood quality, growth rates, and piece size of the new forests. Producing faster-growing, individually larger trees can reduce the number of years before harvesting is economically viable.

Forest Renewal BC-funded treatments, which are planned and approved by professional foresters, are designed to sustain the economic value of the growing stock, while recognizing present and future social and environmental values. The productive capacity of

In its 1997/98 *Business Plan*, Forest Renewal BC organized programs into three investment themes:

- Land and Environment, for priority land-based work that enhances productive capacity and environmental value of forest lands,
- Worker and Community Transition, for training and other assistance to displaced forest workers and to communities, and
- Diversification, for value-added industry support.

The program information that follows is organized by these three investment themes.

All "Planned Investment" figures that preface the program notes are quoted from the Forest Renewal BC 1997/98 *Business Plan*.

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In 1997/98, Forest Renewal BC intended to support planning and surveying work for 83,890 hectares of forest treatments, stand management activities on 100,075 hectares, and forest health treatments on 215,800 hectares, creating 2,520 person-years of direct employment.

By the end of the fiscal year, planning and surveying was only necessary for 286,200 hectares of forest land. This resulted in stand management activities being undertaken on 59,707 hectares, and forest health treatments on 69,738 hectares. (Among others, forest health treatments included ground surveys on 68,315 hectares, juvenile spacing on 203 hectares, and surveys, prescriptions and layouts on 1,182 hectares.) In addition, Forest Renewal BC supported 5,066 hours of aerial surveys, and single-tree treatments (e.g., fall and burn, and tree pheromones) on more than 77,700 individual trees.

In total, the Enhanced Forestry Program resulted in 2,316 person-years of direct employment.

BACKLOG SILVICULTURE PROGRAM

Planned Investment: \$60.0 million

1997/98 Investment: \$49.2 million

Backlog silviculture activities are a significant part of a province-wide initiative to ensure reforestation of approximately 250,000 hectares of Crown forest land. These lands—harvested prior to October 1, 1987, before tenure-holders became fully responsible for reforesting logged lands—are not considered by the Ministry of Forests to support sufficient numbers of healthy young trees available for future harvesting. Backlog silviculture is expected to restore these forest lands to the productive forest land base, thereby helping to sustain the future timber supply.

In 1997/98, the corporation expected to support planning work for 326,000 hectares of forest treatments, and to undertake reforestation, and brushing and weeding activities on 75,220 hectares of backlog lands. This would have created 1,505 person-years of direct employment. However, an early winter in the Omineca-Peace Region, where the bulk of backlog silviculture activities were planned, resulted in less work being completed than expected.

By March 31, 1998, planning and surveying had been completed for 264,400 hectares of land. Treatments had been carried out on 55,334 hectares, including site preparation on 3,876 hectares, and reforestation, brushing and weeding activities on 51,458 hectares of forest land. That work resulted in 907 person-years of direct employment.

RESOURCE INVENTORY PROGRAM

Planned Investment: \$102.0 million

1997/98 Investment: \$121.0 million

Investments in the Resource Inventory Program increase the quantity and improve the quality of resource inventory information available for forest management purposes. Eligible activities result in improved forest resource planning and decision making, and the integration of non-timber resource values into decision-making processes. The program has three main components: infrastructure development, information gathering, and program support (i.e., the planning and management function).

Infrastructure development provides central storage of resource data, converts existing data to digital format, provides base maps for use in all operational inventory work, and provides curriculum

and delivers training to carry out inventories. This ensures that decision makers in the private and public sectors have good access to consistent and up-to-date information.

Information gathering involves acquiring, interpreting and storing inventory data that is needed for Forest Practices Code compliance and sustainable forest management. Data is needed on vegetation resources, terrain stability and terrestrial ecosystem mapping, growth and yield, fish and fish habitat, wildlife and wildlife habitat, water quality and quantity, traditional use by First Nations, archaeology, recreation, and forest health.

Inventories vary in several key ways. They differ by type of resource (e.g., wildlife habitat or traditional use), intensity (e.g., 1:10,000 versus 1:250,000), and cost. An operational survey at 1:10,000 usually costs as much as or more than a strategic inventory at 1:250,000—but both are reported in terms of area surveyed. Those distinctions are not made in the reporting summaries.

Investments in the Resource Inventory Program in 1997/98 were expected to result in 475 inventory projects and 1,110 person-years of direct employment. By the end of the fiscal year, 321 inventory projects were complete, and 1,349 person-years of direct employment had been created.

WATERSHED RESTORATION PROGRAM

Planned Investment: \$103.5 million

1997/98 Investment: \$131.3 million

The objective of the Watershed Restoration Program is to accelerate the recovery of watersheds that were adversely affected by past timber harvesting. Benefits include improved water quality, recreational opportunities, and habitat for wildlife, and restoration of fish habitat, increased timber production, and partnership-building among industry and community stakeholders. Activities funded under the program in 1997/98 included watershed assessments and restoration prescriptions, road deactivation and rehabilitation, bridge repair, and rehabilitation of hillslopes, gullies, streams and riparian zones.

Although watershed restoration is still in the early stages of development in B.C., there were considerable achievements under the program in 1997/98. The first treatments and restoration work were undertaken in many watersheds in the province, building on

the overview and detailed assessment groundwork work done in the previous three years. Overall, approximately 47 per cent was spent on planning, and 53 per cent on restoration treatments.

In 1997/98, Forest Renewal BC expected to undertake rehabilitation of 10,000 kilometres of road and do the planning for work on another 173,600 kilometres, and to treat 4,600 kilometres of streams and plan for work on another 79,500 kilometres. This was expected to result in 880 person-years of direct employment, including work on bridges.

BC Stats reported 10,247 kilometres of road rehabilitation and deactivation work, as well as 1,280 hectares of hill slope and gully restoration. Planning was done for another 101,800 kilometres of road rehabilitation, and 12.3 million hectares of hillslope rehabilitation. These up-slope planning and treatment achievements exceeded the *Business Plan* targets, and are in line with the additional expenditures for these activities.

For in-stream and riparian work, BC Stats reported a total of 62 kilometres of stream rehabilitation work and 194 hectares of riparian restoration work. It also reported planning of 140,000 kilometres of stream rehabilitation and 1.6 million hectares of riparian restoration. Achievements were below the planned targets, because:

- actual expenditures on these activities were approximately half of what was planned,
- the preliminary 1996/97 BC Stats data used to calculate the probable cost per kilometre of in-stream work for the 1997/98 *Business Plan* was too low, and
- the reporting agencies (i.e., industry and the ministries of Forests and Environment, Lands

and Parks) interpreted the definition of the "in-stream treated kilometres" differently. Actual employment resulting from this program was reported by BC Stats as 901 person-years.

The 1997/98 *Business Plan* called for a \$10-million investment in 130 bridges (not 30, as printed). Subsequently, the funding was increased to \$20.2 million to allow replacement of another 139 bridges. The key priorities were to replace bridges posing significant environmental or safety risks. Actual expenditures were \$20.3 million. BC Stats reported that a total of 360 bridges were completed and 146 person-years of direct employment were created.

RECREATION PROGRAM

Planned Investment: \$22.9 million

1997/98 Investment: \$30.2 million

Forest Renewal BC provided funding in 1997/98 to both the Ministry of Forests and BC Parks (under the Ministry of Environment, Lands and Parks) to enhance forest recreation management and forest-based recreation and tourism opportunities in British Columbia. These investments also help increase public awareness and appreciation of the values of the province's forests, while increasing awareness of Forest Renewal BC and its goals.

In 1997/98, investments were expected to result in 345 recreation projects throughout the province and 565 person-years of direct employment. By the end of the year, Forest Renewal BC funding for 411 projects had resulted in improvements to a range of forest recreation facilities, including access trails and campgrounds, and generated 552 person-years of direct employment.

WOODLOT EXPANSION PROGRAM

Planned Investment: \$7.0 million

1997/98 Investment: \$3.4 million

The objective of this program is to double the number of woodlot licences in the province and provide technical assistance to the new licence holders. Increasing the allowable annual cut available for woodlot licences will expand opportunities for individual involvement in small-scale forest management and increase the amount of private land under forest management. Small private land-holdings are often included in a woodlot licence tenure area.

The program, which is funded by Forest Renewal BC and administered by the Ministry of Forests, set a three-year goal to advertise 350 new woodlot licences by December 31, 1997. By the end of the 1997/98 fiscal year, 348 new woodlot licences had been advertised. Licence agreements were finalized on 125 licences, and an additional 118 applications were evaluated. Support, in the form of forest management training and other services, was also provided by the ministry to all woodlot licensees as part of the Forest Renewal BC Woodlot Expansion Program. In total, 42 person-years of direct employment were created.

RESEARCH PROGRAM

Planned Investment: 35.0 million

1997/98 Investment: \$34.0 million

See page 21. Investments in Land and Environment-related research projects resulted in 552 person-years of direct employment.

OTHER LAND AND ENVIRONMENT PROGRAMS

A number of other programs were introduced in 1997/98, but because they were still in the developmental stage when the 1997/98 *Business Plan* was published, target outputs were not projected in the *Plan*. The investment plan was amended to include support for these programs as the business year progressed. Together, the new programs (and some projects classified as "Other Proposals" in Table 1, on page 8) resulted in the creation of 280 person-years of direct employment. The new programs are listed on the following pages.

PRIVATE FOREST LANDS/BIODIVERSITY PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$3.2 million

The objective of this program is to purchase private lands to conserve biodiversity and increase the area of productive forest.

The first investment made under this program was the purchase of the Empire Valley Ranch in 1997. That purchase, which marked B.C.'s largest single acquisition of private land for parks purposes, was recommended by the Cariboo-Chilcotin Land-Use Plan as a means of preserving the rich biodiversity of the land in the heart of Churn Creek and increasing certainty about the forest land-base.

TREE IMPROVEMENT PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$1.9 million

In 1997/98, Forest Renewal BC asked the British Columbia Tree Improvement Council—a multi-stakeholder agency that addresses province-wide tree-improvement issues—to recommend priorities for tree-improvement investments. The Tree Improvement Program was launched based on the council's recommendations.

The goal of the program is to improve the genetic quality of tree seed and increase the use of improved seed in reforestation. Projects funded by Forest Renewal BC in the first year have laid the foundation for expanding provincial initiatives to meet the long-term goals of the council. These goals focus on increasing the number of genetically improved trees used for reforestation to 70 per cent by the year 2007, and increasing the average genetic quality gain from 6 per cent to 12 per cent. In the first year, work has focused on accelerating tree breeding activities. Emphasis has also been placed both on enhancing existing orchard production to meet the growing needs for genetically improved seedlings, and on finding solutions to biological problems that limit current production or decrease genetic quality.

ECOSYSTEM RESTORATION PROGRAM

This program was not developed to implementation stage during the 1997/98 fiscal year.

CROWN LAND-USE PLANNING

Planned Investment: Not stated

1997/98 Investment: \$2.2 million

The purposes of this program are to sustain an effective pace of strategic land-use planning, and to enhance the quality of land-use planning processes (e.g., Land and Resource Management Plans, which help build a secure foundation for land-based investments, long-term job creation, and community transition). This program supports the development of information, data, and planning tools to improve land-use planning, educate those who participate in the planning process, and monitor the implementation of land-use plans.

ENDOWMENT PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$2,000

See page 22.

WORKER AND COMMUNITY TRANSITION PROGRAMS

Planned Investment: \$98.3 million

1997/98 Investment: \$74.9 million

Worker and Community Transition Programs support training and other assistance to displaced forest workers and to communities dealing with forest-sector change.

These programs are demand-driven. And since demand is determined by social and economic factors that can be difficult to foresee—and create results that are impossible to predict—investment targets and projected accomplishments are based on anticipated uptake of the programs.

The 1997/98 *Business Plan* forecast program accomplishments in terms of the number of person-years of direct employment that might be

created by offering the programs. But the success of these programs, and their real value to people working in B.C.'s forest sector, is more accurately reflected in the number of clients trained or assisted. That is why the accomplishments listed below reflect the number of workers who received training or assistance through the Worker and Community Transition Programs during the year, rather than the number of person-years of direct employment created.

FOREST WORKER TRANSITION PROGRAM

Planned Investment: \$30.0 million

1997/98 Investment: \$29.0 million

The Forest Worker Transition program helps displaced forest workers develop and implement personal strategies to obtain new jobs, either within or outside of the forest industry. Eligible displaced forest workers can access career counselling, funding for training, wage support during training, and self-employment assistance. Each eligible worker can receive as much as \$7,000 in tuition grants and \$20,000 in income support.

Demand for this program is determined by the number of workers who permanently lose their jobs or face indefinite layoffs due to the downturn in the forest industry. In 1997/98, investments in this initiative were expected to result in training or support for at least 1,110 workers, but the need proved greater than anticipated. By the end of the fiscal year, 2,578 displaced workers had been assisted. This represents more than double the number expected, although program expenditures were slightly less than anticipated. The average investment per client, including counselling support services, income support, training services and the cost of running the program, was \$11,200.

LAND-BASED TRAINING PROGRAM

Planned Investment: \$15.0 million

1997/98 Investment: \$10.9 million

To ensure that forest workers have the skills they need, Forest Renewal BC funds training in land-based activities (e.g., silviculture, resource inventories, and environmental restoration), new forest practices, and retraining for unemployed B.C. forest workers and those facing work reductions.

Investments in 1997/98 were expected to assist 2,140 workers. By the end of the fiscal year, 2,327 workers had received training. The average investment in training and administration was \$4,700 per worker.

VALUE-ADDED TRAINING PROGRAM

Planned Investment: \$9.7 million

1997/98 Investment: \$5.4 million

According to value-added producers in B.C., difficulties in training new employees and finding skilled employees are seriously impeding the development of the province's value-added sector. To help address the problem, the Value-added Training Program funds skills training, from entry-level to the highly technical, for value-added workers and employers.

The investments under this program in 1997/98 included:

- the establishment of the Value-added Skills Centre in Abbotsford. The Skills Centre, the first of its kind in North America, provides basic skills upgrades and two certificate programs for value-added workers: the Master Certificate and the Wood Machinist Certificate. Training courses are industry-driven and delivered both within the centre and in manufacturing plants throughout the province, to ensure employee travel and time costs are minimized, and
- the introduction of the WoodLINKS program to B.C. high schools. WoodLINKS provides funding for teacher resources and training tools to create industry/education partnerships, promote awareness of careers in wood processing, and attract talented young people to the province's value-added sector and prepare them for careers in the industry.

A total of 1,069 workers received value-added skills training in 1997/98. The average investment in training and program

administration was \$5,000 per client, which resulted in training-related cost savings to industry of between \$6,000 and \$20,000 per client employed.

FOREST WORKER EMPLOYMENT AND TRAINING PROGRAM

Planned Investment: \$4.8 million

1997/98 Investment: \$4.3 million

The purpose of this program is to help laid-off workers, or those facing work shortages, identify new work opportunities and obtain short-term training and job placement assistance. Training and adjustment consultants work with companies and employees to provide skills assessments, career counselling, and training to help at-risk forest workers retain existing jobs or find new employment.

The target for 1997/98 was to fund training and other assistance for 740 forest workers. The corporation far exceeded its goal, providing these services to a total of 1,481 workers. The average investment was \$2,900 per worker.

SECTORAL TRAINING INITIATIVES PROGRAM

Planned Investment: \$14.0 million

1997/98 Investment: \$7.6 million

This program is designed to support sectoral groups in human resource planning, training, and adjustment activities over a three year period (i.e., 1997/98 to 1999/2000).

The major activity under this program was the Joint Union/Management Program (JUMP) for Worker Training with the pulp and paper industry.

Investments in 1997/98 were expected to result in assistance and training for at least 2,000 forest workers. By the end of the fiscal year, the program had provided services for 3,883 workers, at an average investment of \$1,970 per worker.

FOREST AND RESOURCE TECHNOLOGY PROGRAM

Planned Investment: \$3.0 million

1997/98 Investment: \$1.5 million

Forest Renewal BC investments, along with other new or recent initiatives in the forest sector, such as the Forest Practices Code, are creating demand for trained forest workers. Colleges offering Forest Technician/Technologist training programs have waiting

lists that exceed their annual enrollment capacity tenfold, and graduates of these programs are readily able to find employment in the forest sector.

To ensure that British Columbians can benefit from the increased level of forest-related work in the province, Forest Renewal BC has developed a time-limited program to increase the number of seats available in two-year forest and resource technology diploma programs across the province.

In 1997/98, the goal was to create 100 new seats in forest and resource technology programs, with priority going to displaced forest workers. This target was well exceeded: 152 new seats were created and filled.

FOREST COMMUNITY ECONOMIC DEVELOPMENT PROGRAM AND COMMUNITY RENEWAL PROGRAM (COMBINED)

Planned Investment: \$11.0 million

1997/98 Investment: \$6.4 million

The Forest Community Economic Development Program supports the capacity of forest-dependent communities to develop more diversified forest-sector opportunities, through economic development and transition planning, feasibility studies, and an immediate-response fund for sudden major forestry job losses. It provides planning support to local governments and First Nations through three funds: a forest-sector planning fund, a project feasibility fund, and an immediate-response fund.

This program also helps forest-dependent communities implement plans and projects identified within their economic development plans. The objectives are increased community stability and a greater capacity to diversify within the forest sector.

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In 1997/98, additional funding of \$2.01 million—earmarked in the *1997/98 Business Plan* for the new Community Renewal Program—was allocated to the Forest Community Economic Development Program. Forest Renewal expected to provide assistance to 168 communities, support at least 50 planning projects, and create 150 person-years of direct employment in 1997/98. By the end of the fiscal year, assistance had been extended to 72 forest community economic development groups (each group comprising between three and 12 communities), and investments had created 122 person-years of direct employment. The groups conducted 46 feasibility studies and assessments, and developed 60 economic development plans.

FOREST WORKER EMPLOYMENT AGENCY

Planned Investment: \$7.5 million

1997/98 Investment: \$2.2 million

In 1996, the *BC Forest Renewal Amendment Act*² called for the creation of an agency to help displaced forest workers find other employment. This commitment was reaffirmed in June 1997

under the Jobs and Timber Accord, when government and forest companies agreed to the establishment of a forest worker agency to help train and place workers on Forest Renewal BC-funded land-based activity crews working in coastal areas.

Late in 1997, New Forest Opportunities Ltd. was incorporated as a wholly-owned subsidiary of Forest Renewal BC. By the end of the 1997/98 fiscal year, New Forest was established and fulfilling its mandate as the forest worker employment agency in the Pacific Region.

BURSARY PROGRAM

Planned Investment: \$0.3 million

1997/98 Investment: \$0.1 million

To encourage training in forest-related studies and generate new ideas in forest management, Forest Renewal BC offers bursaries of \$500 to eligible graduating Grade 12 students in B.C. high schools, regional correspondence schools, and band schools. Bursaries of \$1,000 are available for first- and second-year students in post-secondary schools. The awards are delivered through B.C. credit unions.

In 1997/98, 83 bursaries were awarded.

TABLE 1: NUMBER OF WORKERS TRAINED UNDER WORKER AND COMMUNITY TRANSITION PROGRAM IN 1997/98

Program	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Sheena-Bulkley	Thompson-Okanagan	Total
Forest Worker Transition	44	74	66	2,311	31	52	2,578
Land-based Training	74	147	49	1,676	65	316	2,327
Value-added Training	162	187	21	448	126	125	1,069
Forest Worker Employment and Training	626	116	34	441	246	18	1,481
Sectoral Training Initiatives	—	—	1,918	851	1,114	—	3,883
Forest and Resource Technology	—	72	—	6	74	—	152 additional seats
Foundation Skills Training	25	217	57	500	3	27	829
Other Proposals	84	1	5	52	3	0	145
TOTALS	971	740	2,084	3,974	1,631	486	12,464

2. The Act was passed, but had not been proclaimed, as of July 7, 1998.

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RESEARCH PROGRAM

Planned Investment: \$2.5 million

1997/98 Investment: \$2.5 million

See page 21.

REGIONAL ADVISORY PROCESS

Planned Investment: \$0.5 million

1997/98 Investment: \$0.6 million

Forest Renewal BC continued its regional advisory process in 1997/98, gathering advice and feedback on its regional investments, to help plan for future investments.

ENDOWMENT PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$2,000

See page 22.

FOUNDATION SKILLS TRAINING PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$0.9 million

Training in foundation skills such as numeracy, literacy and communication for employed and displaced forest workers, as well as new entrants, is particularly important to forest workers who have not completed high school and who may be facing changes in their employment.

By the end of the fiscal year, 829 workers had received training to help them complete their Grade 12 equivalent.

DIVERSIFICATION PROGRAMS

Planned Investment: \$29.2 million

1997/98 Investment: \$22.2 million

Diversification programs focus on value-added industry support. Forest Renewal BC recognizes the importance of that support, but it delayed making 1997/98 program investments in favour of developing a coordinated, province-wide investment strategy.

Representatives from a broad cross-section of the value-added wood manufacturing sector, the Forest Renewal BC Value-added Committee, and corporation staff examined the sector in detail.

They identified barriers to growth, determined factors critical to development, and pinpointed strategic areas of investment that would enable the sector to fully realize its sales growth and job creation potential.

A comprehensive strategy was announced in June 1998. Consequently, Diversification investments were lower during 1997/98 than they might have been in a "full" investment year.

FOREST COMMUNITY BUSINESS PROGRAM

Planned Investment: \$7.0 million

1997/98 Investment: \$9.8 million

This program is designed to diversify, stabilize and expand the economic and employment opportunities of forest-based communities by increasing access to financing, business planning support, and training for small businesses in the forest sector. The financing segment of the program has been operational since June 1996, through community-based lenders such as Community Futures and Native Development corporations for loans up to \$75,000, and through credit unions for loans of up to \$250,000. In February 1997, the corporation added the Business Development Bank of Canada as a lender for loans of between \$75,000 and \$250,000. In the summer of 1997, a loan-client business management skills component was introduced.

Investments in this program during 1997/98 were expected to result in 200 new loans to small- and medium-sized forest-sector businesses, and 875 person-years of direct employment. By the end of the fiscal year, 226 loans had been made to forest businesses, creating 958 full-time jobs, and 106 part-time jobs. (The program tracks employment in terms of jobs created, not person-years, as originally planned).

VALUE-ADDED FINANCE PROGRAM

Planned Investment: \$4.0 million

1997/98 Investment: \$5,000

This program was proposed to help value-added businesses obtain financing from existing lending institutions. In 1997/98, it was anticipated that 65 person-years of direct employment would be created by this program.

The board of directors allocated \$4 million to this program for 1997/98, subject to the completion of program development. Following extensive consultation, the program was ready to implement by the end of the fiscal year. Investments were therefore limited during 1997/98 to program development and design; financing was available for value-added manufacturers in 1998/99.

WOOD SUPPLY PROGRAM

Planned Investment: \$1.2 million

1997/98 Investment: \$0.2 million

The Wood Supply Program provides funding for initiatives to improve the value-added sector's access to a stable supply of wood. One such initiative was the BC Wood Fibre Network, an electronic bulletin board with about 650 subscribers, which was designed to help buyers and sellers of logs and lumber access information about wood supply.

In 1997/98, the BC Wood Fibre Network was expected to post information relating to the sale of 50 million board feet of lumber, and more than 1 million cubic metres of logs. This investment was expected to create 20 person-years of direct employment.

By the end of the fiscal year, 825 users had accessed the bulletin board, and their subsequent transactions accounted for approximately 12 million board feet of lumber. Use of the

BC Wood Fibre Network was lower than expected, however, so the program was ended in mid-1998.

VALUE-ADDED MARKETING PROGRAM

Planned Investment: \$6.2 million

1997/98 Investment: \$3.7 million

The objective of the Value-added Marketing Program is to increase domestic and international demand for B.C.'s value-added wood products, by helping groups of manufacturers improve their marketing programs and research and development activities. Investments through this program were expected to result in 80 person-years of direct employment in 1997/98.

During that year, 17 marketing studies were undertaken. Among those:

- One study, a partnership between Forintek Canada and the University of British Columbia, set out to identify the wood product market fundamentals of Japanese builders.
- Another study involved research in Japan on the use of B.C. Coastal hemlock. The results were used to support the development of a product-branding program and identification of product development priorities.
- A third study gathered market intelligence on opportunities in China for B.C.'s value-added manufacturers.

VALUE-ADDED INDUSTRY DIVERSIFICATION PROGRAM

Planned Investment: \$1.0 million

1997/98 Investment: \$1.2 million

This program is designed to diversify the value-added industry and help support its growth. Some of the projects that Forest Renewal BC funds through the program include product development and other types of needs analyses, wood forums and conferences, association development activities, and other industry initiatives. Investments for the fiscal year were expected to yield 15 person-years of direct employment.

Initiatives in 1997/98 included:

- technical seminars and regional wood forums across the province, which attracted 123,000 attendees,
- 23 opportunity identification studies in product development, fibre supply, and the Canada/U.S. Softwood Lumber Agreement, and

- research and business case development for the establishment of the Wood Enterprise Centre in Quesnel, which was opened in November 1997.

FORESTS EXCELLENCE AWARDS PROGRAM

Planned Investment: \$0.3 million

1997/98 Investment: \$0.2 million

Each year, Forest Renewal recognizes individuals, companies and groups that have made a significant contribution to improving and renewing the forest sector. Awards are given in eight categories: Forest Management, Environment, Value-added, Labour, Community, Education, Communications/Media, and Forest Service. Fifteen awards were presented in 1997/98.

FORESTRY INNOVATION DEVELOPMENT

Planned Investment: \$7.0 million

1997/98 Investment: \$0.5 million

The Forestry Innovation Development Program offers support to proponents who are developing innovative products and processes. Development counselling and financial support of as much as \$500,000 are made available for approved projects. Financial support under this program is repayable, and royalties in lieu of interest are required on the support. The Advanced Systems Institute delivers the Forestry Innovation Development Program in association with Forest Renewal BC. Under the program, which began early in 1997, five projects had received funding by the end of the fiscal year.

Two examples of projects funded in the program's first year of operation were a market feasibility study for a new truck brake monitoring system, and the development of a prototype for a full-sized radio frequency/vacuum lumber drying kiln.

RESEARCH PROGRAM

Planned Investment: \$2.5 million

1997/98 Investment: \$2.3 million

See following.

TECHNOLOGY TRANSFER PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$95,000

The objective of this new program is to provide technical assistance and information in areas critical to the value-added sector, such as lumber drying, wood machining, gluing, wood properties, industrial process engineering, materials handling, and quality control. The program, which was developed jointly by Forest Renewal BC, Forintek Canada Corporation, and University College of the Cariboo, was launched in 1998. Forest Renewal BC's investment supported the recruitment of manufacturing specialists and the development and launch of a province-wide, in-plant assistance schedule, under the direction of a broad-based industry steering committee.

ENDOWMENT PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$4.3 million

See following.

PROGRAMS COMMON TO ALL INVESTMENT THEMES

Forest Renewal BC funds a number of programs that are important to all three investment themes.

RESEARCH PROGRAM

Planned Investment: \$40.0 million

1997/98 Investment: \$38.8 million

By adding to the knowledge base that is essential for achieving the goals in Forest Renewal BC's five activity areas (i.e., Land and Resources, Environment, Workforce, Communities, and Value-added), the Research Program helps ensure

maximum return on the corporation's investments. Research activities investigate all aspects of the forest sector, including the forest environment, forest management, adding value to forest products, and the impact of new forest practices on biodiversity, timber supply, and jobs.

Investments in this program in 1997/98 were expected to result in approval and funding for 385 research proposals, and 480 person-years of direct employment.

At the end of the fiscal year, 436 projects had been funded, and 112 of the projects were completed. The work accounted for 619 person-years of direct employment. Research projects funded in 1997/98 included:

- a study of the genetic and environmental variation in the wood properties of commercially important B.C. forest tree species. The results will be incorporated into tree breeding programs to improve the wood produced in B.C.'s second-growth forests,
- a project to examine the effectiveness of current rehabilitation techniques in restoring and repairing productivity and repairing soil conditions on damaged sites, such as roads and landings, which have received rehabilitation treatments, and
- a project to examine First Nations involvement in the forest industry, to learn how the industry's workforce structure affects aboriginal involvement. Results of this study will help Tribal Councils develop integrated community economic plans.

ENDOWMENT PROGRAM

Planned Investment: Not stated

1997/98 Investment: \$4.3 million

The objectives of the Endowment Program are to help build the teaching, research and extension capacity at degree-granting post-secondary institutions around the province, which will enable them to address key issues facing the forest sector, now and in the future. Forest Renewal BC's board of directors has identified several key needs in the forest sector to which endowment funds will be directed.

In 1997/98, one new program—the Advanced Papermaking Initiative—was launched at the University of British Columbia. Currently, more than 40 per cent of B.C.'s timber harvest is manufactured into pulp and paper. The initiative, which is a partnership between the university, the B.C. Institute of Technology, and Paprican, aims to strengthen B.C.'s post-secondary education programs in pulp and papermaking, to help ensure the competitiveness and long-term viability of the province's pulp and paper sector.

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Regional Investments in 1997/98

CARIBOO-CHILCOTIN REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$40.7	\$45.3
Worker and Community Transition	8.5	5.5
Diversification	3.2	0.6
TOTAL ALL PROGRAMS	\$52.4	\$51.4
Province-wide allocation	11.1	14.1
TOTAL, including province-wide allocation	\$63.5	\$65.5

¹ From the 1997/98 Business Plan.

Investments in the Cariboo-Chilcotin Region in 1997/98 resulted in an estimated 688 person-years of direct employment.

KOOTENAY-BOUNDARY REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$36.4	\$40.9
Worker and Community Transition	7.1	5.0
Diversification	2.9	1.0
TOTAL ALL PROGRAMS	\$46.4	\$46.9
Province-wide allocation	11.0	15.7
TOTAL, including province-wide allocation	\$57.4	\$62.6

¹ From the 1997/98 Business Plan.

Investments in the Kootenay-Boundary Region in 1997/98 resulted in an estimated 919 person-years of direct employment.

OMINECA-PEACE REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$87.8	\$77.4
Worker and Community Transition	5.0	3.3
Diversification	2.9	4.8
TOTAL ALL PROGRAMS	\$94.9	*\$85.6
Province-wide allocation	16.1	26.9
TOTAL, including province-wide allocation	\$111.0	\$112.5

¹ From the 1997/98 Business Plan.

* Figures may not add up due to rounding.

Investments in Land and Environment programs were lower than expected because of late project start-ups, and the early onset of winter. Investments in the Omineca-Peace Region in 1997/98 resulted in an estimated 1,431 person-years of direct employment.



Regional Investments in 1997/98

CARIBOO-CHILCOTIN REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$40.7	\$45.3
Worker and Community Transition	8.5	5.5
Diversification	3.2	0.6
TOTAL ALL PROGRAMS	\$52.4	\$51.4
Province-wide allocation	11.1	14.1
TOTAL, including province-wide allocation	\$63.5	\$65.5

¹ From the 1997/98 Business Plan.

Investments in the Cariboo-Chilcotin Region in 1997/98 resulted in an estimated 688 person-years of direct employment.

KOOTENAY-BOUNDARY REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$36.4	\$40.9
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TOTAL ALL PROGRAMS	\$46.4	\$46.9
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¹ From the 1997/98 Business Plan.

Investments in the Kootenay-Boundary Region in 1997/98 resulted in an estimated 919 person-years of direct employment.

OMINECA PEACE REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$87.8	\$77.4
Worker and Community Transition	5.0	3.3
Diversification	2.9	4.8
TOTAL ALL PROGRAMS	\$94.9	*\$85.6
Province-wide allocation	16.1	26.9
TOTAL, including province-wide allocation	\$111.0	\$112.5

¹ From the 1997/98 Business Plan.

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Investments in Land and Environment programs were lower than expected because of late project start-ups, and the early onset of winter. Investments in the Omineca-Peace Region in 1997/98 resulted in an estimated 1,431 person-years of direct employment.



Investments in the Pacific Region in 1997/98 resulted in an estimated 2,121 person-years of direct employment.

Investments in the Skeena-Bulkley Region in 1997/98 resulted in an estimated 765 person-years of direct employment.

Investments in the Thompson-Okanagan Region in 1997/98 resulted in an estimated 1,124 person-years of direct employment.

PACIFIC REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$131.0	\$130.8
Worker and Community Transition	40.4	41.1
Diversification	4.8	3.3
TOTAL ALL PROGRAMS	\$176.2	*\$175.1
Province-wide allocation	12.6	31.6
TOTAL, including province-wide allocation	\$188.8	\$206.7

¹ From the 1997/98 Business Plan.

* Figures may not add up due to rounding.

SKENA-BULKLEY REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$46.1	\$51.4
Worker and Community Transition	6.5	4.1
Diversification	2.9	2.4
TOTAL ALL PROGRAMS	\$55.5	\$57.9
Province-wide allocation	11.1	16.4
TOTAL, including province-wide allocation	\$66.6	\$74.3

¹ From the 1997/98 Business Plan.

THOMPSON-OKANAGAN REGION

Investments in 1997/98 (\$ millions)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$50.8	\$55.5
Worker and Community Transition	6.5	4.0
Diversification	3.3	0.8
TOTAL ALL PROGRAMS	\$60.6	\$60.3
Province-wide allocation	11.1	14.4
TOTAL, including province-wide allocation	\$71.7	\$74.7

¹ From the 1997/98 Business Plan.

Investments in the Pacific Region in 1997/98 resulted in an estimated 2,121 person-years of direct employment.

PACIFIC REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$131.0	\$130.8
Worker and Community Transition	40.4	41.1
Diversification	4.8	3.3
TOTAL ALL PROGRAMS	\$176.2	*\$175.1
Province-wide allocation	12.6	31.6
TOTAL, including province-wide allocation	\$188.8	\$206.7

¹ From the 1997/98 Business Plan.

* Figures may not add up due to rounding.

Investments in the Skeena-Bulkley Region in 1997/98 resulted in an estimated 765 person-years of direct employment.

SKENA-BULKLEY REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$46.1	\$51.4
Worker and Community Transition	6.5	4.1
Diversification	2.9	2.4
TOTAL ALL PROGRAMS	\$55.5	\$57.9
Province-wide allocation	11.1	16.4
TOTAL, including province-wide allocation	\$66.6	\$74.3

¹ From the 1997/98 Business Plan.

Investments in the Thompson-Okanagan Region in 1997/98 resulted in an estimated 1,124 person-years of direct employment.

THOMPSON-OKANAGAN REGION

Investments in 1997/98 (\$ million)

Investment Theme	Planned Expenditures ¹	Actual Investments 1997/98
Land and Environment	\$50.8	\$55.5
Worker and Community Transition	6.5	4.0
Diversification	3.3	0.8
TOTAL ALL PROGRAMS	\$60.6	\$60.3
Province-wide allocation	11.1	14.4
TOTAL, including province-wide allocation	\$71.7	\$74.7

¹ From the 1997/98 Business Plan.



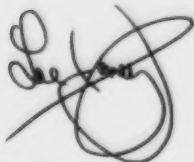
Financial Statements

The consolidated financial statements of Forest Renewal BC for the year ended March 31, 1998 have been prepared by management in accordance with generally accepted accounting principles. These consolidated financial statements present fairly the consolidated financial position of the Corporation as at March 31, 1998, and the results of operations and changes in financial position for the year then ended.

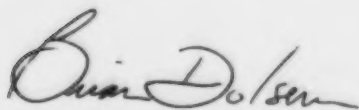
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements through its Audit Committee. The Committee meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Audit Committee, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of Forest Renewal BC. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements.



Lee Doney
Chief Executive Officer



Brian Dolsen
Vice President, Finance, and Corporate Secretary
June 26, 1998

**REPORT OF THE AUDITOR GENERAL
OF BRITISH COLUMBIA**

To the Members of the Board of Directors
of Forest Renewal BC, and

To the Minister of Forests,
Province of British Columbia:

I have audited the consolidated statement of financial position of Forest Renewal BC as at March 31, 1998 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Forest Renewal BC as at March 31, 1998 and the results of its operations and the changes in its net assets and financial position for the year then ended in accordance with generally accepted accounting principles.



George L. Morfitt
Victoria, British Columbia
June 26, 1998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 1998 (in Thousands)

	1998 (1000)	1997 (1000)
ASSETS		
Current Assets		
Cash and Short Term Investments (Note 3)	739,987	831,574
Due from Province of British Columbia	185,187	192,415
Accountable Advances	15,632	2,842
Prepaid Expenses	361	188
	<u>941,167</u>	<u>1,027,019</u>
Long Term Investment (Note 4)	10,000	-
Capital Assets (Note 5)	755	920
	<u>951,922</u>	<u>1,027,939</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Liabilities	13,806	5,833
Project Expenditures Payable	174,684	170,994
	<u>188,490</u>	<u>176,827</u>
Net Assets		
Reserve for Program Continuity	400,000	400,000
Reserve for Finance Purposes	58,960	-
Reserve for Multi-Year Agreements	10,500	-
	<u>469,460</u>	<u>400,000</u>
Unappropriated	293,972	451,112
	<u>763,432</u>	<u>851,112</u>
	<u>951,922</u>	<u>1,027,939</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors



Ann Hillyer, Director



Roger Stanyer, Director

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended March 31, 1998 (in Thousands)

	1998	1997
REVENUES	(1000)	(1000)
Statutory Forest Revenue	482,758	485,328
Investment and Other Income	51,198	35,568
	<u>533,956</u>	<u>520,896</u>
EXPENDITURES		
Project Expenditures (Schedule 1)	596,334	395,486
Administration (Note 6)	25,302	20,044
	<u>621,636</u>	<u>415,530</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(87,680)</u>	<u>105,366</u>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 1998 (in Thousands)

	Reserve for Program Continuity (Note 7) (1000)	Reserve for Finance Purposes (Note 8) (1000)	Reserve for Multi-Year Agreements (Note 9) (1000)	Unappropriated (1000)	TOTAL (1000)
Balance, beginning of year	400,000	—	—	451,112	851,112
Excess (deficiency) of revenues over expenditures	—	—	—	(87,680)	(87,680)
Internally imposed restrictions	—	65,455	10,500	(75,955)	—
Designated expenditures during the year	—	(6,495)	—	6,495	—
BALANCE, END OF YEAR	400,000	58,960	10,500	293,972	763,432

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended March 31, 1998 (in Thousands)

	1998	1997
	(000)	(000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Statutory Forest Revenue	489,987	489,232
Cash Received from Investment Income	51,198	35,568
Cash Paid for Program Expenditures	(605,435)	(288,602)
Cash Paid for Administrative Expenditures	(16,991)	(16,589)
	<u>(81,241)</u>	<u>(219,609)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Long Term Investment	(10,000)	-
Acquisition of Capital Assets	(346)	(1,085)
	<u>(10,346)</u>	<u>(1,085)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(91,587)	218,524
CASH AND EQUIVALENTS, BEGINNING OF THE YEAR	831,574	613,050
CASH AND EQUIVALENTS, END OF THE YEAR	<u>739,987</u>	<u>831,574</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF PROJECT EXPENDITURES BY REGION AND ACTIVITY AREA

For the Year Ended March 31, 1998 (in Thousands)

	Land and Resources	Environment	Workforce	Communities	Value- added	1998 TOTAL	1997 TOTAL
	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Regions							
Cariboo-Chilcotin	33,609	24,860	4,830	1,347	836	65,482	36,504
Thompson-Okanagan	39,930	29,413	2,871	1,793	724	74,731	47,291
Kootenay-Boundary	29,957	21,351	4,642	1,566	5,111	62,627	49,606
Omineca-Peace	54,907	43,763	5,332	7,804	659	112,465	49,180
Skeena-Bulkley	41,437	23,000	4,973	4,610	271	74,291	46,136
Pacific	68,080	88,920	42,465	2,641	4,632	206,738	166,769
1998 TOTAL	267,920	231,307	65,113	19,761	12,233	596,334	
1997 TOTAL	140,178	177,320	50,185	22,519	5,264		395,486

ACTIVITY AREA OBJECTIVES

- Land and Resources – to increase investment in the forest resource and in the forest land base.
- Environment – to invest in the environmental values of the forests.
- Workforce – to foster forest employment opportunities and job training, and other related initiatives,
to assist forest workers, and to expand the forest workforce.
- Communities – to support community development and adjustment.
- Value-added – to promote activities that assist:
 - i) forest industry diversification,
 - ii) the further processing of wood supply, and
 - iii) increased manufacturing of wood products.

The accompanying notes are an integral part of these financial statements.

NOTES

To the Consolidated Financial Statements
For the Year Ended March 31, 1998

1. THE CORPORATION

Forest Renewal BC, a Crown corporation, was incorporated under the *Forest Renewal Act* on June 2, 1994. The purpose of Forest Renewal BC is to renew the forest economy of British Columbia, enhance the productive capacity and environmental value of forest lands, create jobs, provide training for forest workers and strengthen communities.

Under the *Forest Renewal Act*, Forest Renewal BC is entitled to 80% of the increases in stumpage and royalty revenue attributable to changes in rates or stumpage fees under the *Forest Act* that have been implemented since April 30, 1994, less an annual offset of up to \$50 million.

The Corporation is exempt from federal and provincial income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles for not-for-profit organizations and include the assets, liabilities, revenues and expenditures of Forest Renewal BC and its 100% owned subsidiaries, New Forest Opportunities Ltd. and 561763 B.C. Ltd.

New Forest Opportunities Ltd. was incorporated on November 19, 1997. New Forest Opportunities Ltd. has been established as a forest worker agency to assist Coastal region forest workers who are being displaced during the current transition in the forest sector. New Forest Opportunities Ltd. assesses eligible workers, equips them with new skills and gives them priority placement for work on Forest Renewal BC land-based projects.

561763 B.C. Ltd. was incorporated on March 24, 1998 and commenced operations April 1, 1998. The company has been established to carry out the duties of the Office of the Jobs and Timber Accord Advocate.

Short Term Investments are carried at the lower of cost and market value.

Capital Assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives. Assets costing less than \$5,000 are expensed in the year purchased.

Revenue from stumpage and royalties is recognized for all timber scaled in the fiscal year.

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3. CASH AND SHORT TERM INVESTMENTS

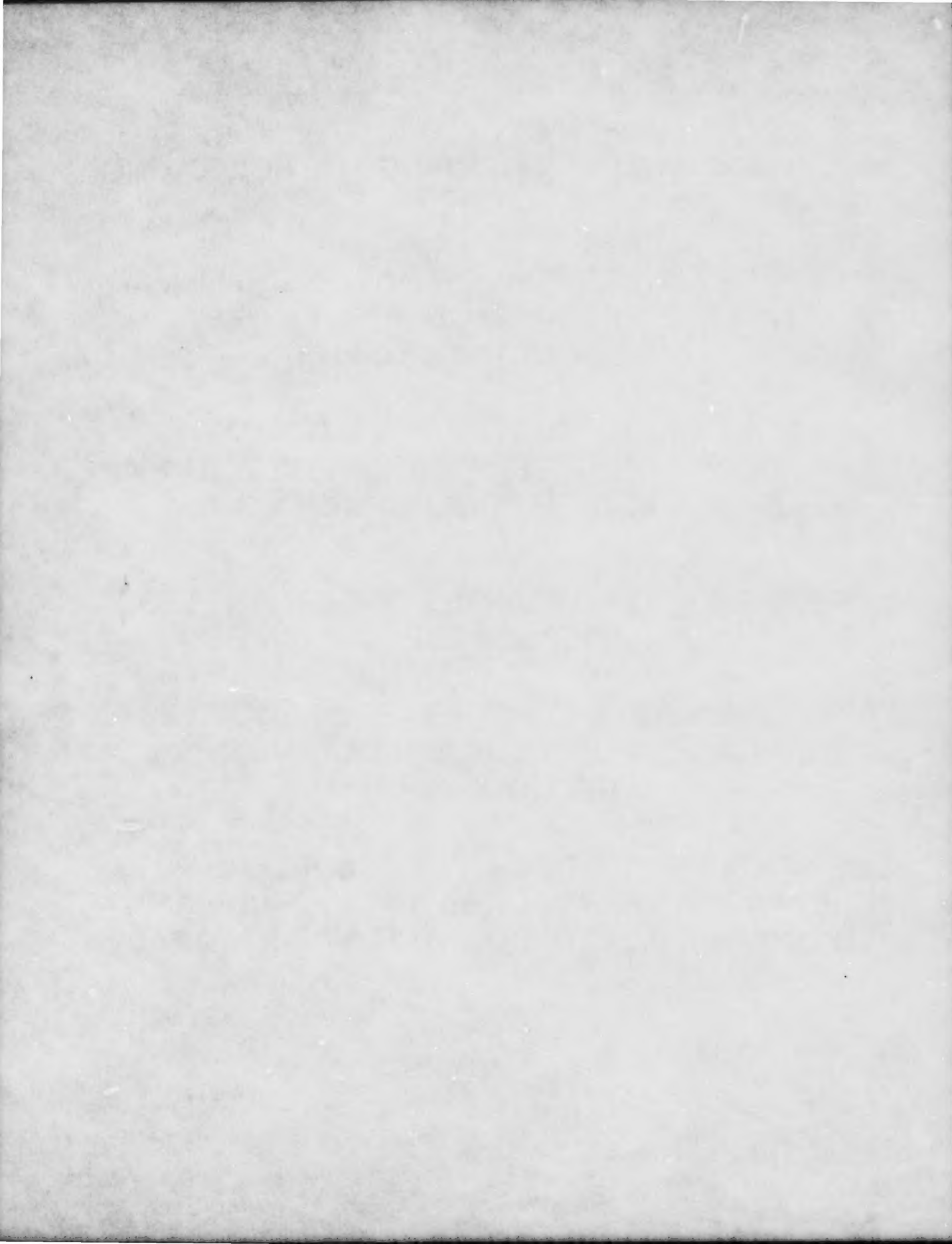
	1998 Cost	1998 Market Value	1997 Cost	1997 Market Value
CASH/INVESTMENT	(\$000)	(\$000)	(\$000)	(\$000)
Cash	(22,154)	(22,154)	(2,155)	(2,155)
Term deposits	20,539	20,539	4,000	4,000
Investments –				
Provincial Treasury	741,582	765,106	829,729	847,447
TOTAL	739,967	763,491	831,574	849,292

4. LONG TERM INVESTMENT

During the year the Board of Directors approved the deposit of \$10 million dollars in the pooled investment fund of the Municipal Finance Authority of British Columbia to enable the Authority to provide loan assistance for infrastructure projects in forestry-dependent regions. Interest will be paid quarterly and the balance of the fund is due to be repaid to Forest Renewal BC on March 31, 2008.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	1998 Net	1997 Net
ASSETS	(\$000)	(\$000)	(\$000)	(\$000)
Computer Equipment and Software	1,763	1,008	755	920



3. CASH AND SHORT TERM INVESTMENTS

	1998 Cost	1998 Market Value	1997 Cost	1997 Market Value
CASH/INVESTMENT	(\$000)	(\$000)	(\$000)	(\$000)
Cash	(22,154)	(22,154)	(2,155)	(2,155)
Term deposits	20,539	20,539	4,000	4,000
Investments -				
Provincial Treasury	741,582	765,106	829,729	847,447
TOTAL	739,967	763,491	831,574	849,292

4. LONG TERM INVESTMENT

During the year the Board of Directors approved the deposit of \$10 million dollars in the pooled investment fund of the Municipal Finance Authority of British Columbia to enable the Authority to provide loan assistance for infrastructure projects in forestry-dependent regions. Interest will be paid quarterly and the balance of the fund is due to be repaid to Forest Renewal BC on March 31, 2008.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	1998 Net	1997 Net
ASSETS	(\$000)	(\$000)	(\$000)	(\$000)
Computer Equipment and Software	1,763	1,008	755	920



6. ADMINISTRATION EXPENDITURES

	1997	1998
EXPENSE	(\$000)	(\$000)
Salaries, Wages and Benefits	12,011	8,148
Professional Services	4,108	3,173
Advertising and Publications	2,046	1,844
Information Systems	1,737	2,422
Building Occupancy	1,665	858
Staff Travel	1,218	791
General Operating	1,172	1,222
Furniture and Equipment	548	844
Amortization	479	386
Board Expenses	318	356
TOTAL	25,302	20,044

7. RESERVE FOR PROGRAM CONTINUITY

In the year ended March 31, 1996, the Board of Directors appropriated \$400 million to the Reserve for Program Continuity to ensure that funds are available to cover program commitments in years where Forest Renewal BC revenues fall below existing and anticipated program commitments.

8. RESERVE FOR FINANCE PURPOSES

In the year ended March 31, 1998, the Board of Directors appropriated \$65.455 million to the Reserve for Finance Purposes to fully offset all loans made by Forest Renewal BC. Twenty-five per cent of general investment income is to be allocated to this reserve each year.

9. RESERVE FOR MULTI-YEAR AGREEMENTS

In the year ended March 31, 1998 the Board of Directors appropriated \$10 million to the Reserve for Multi-Year Agreements. An additional \$500,000 for planning costs for the Multi-Year Agreements was also reserved.

10. RELATED PARTY TRANSACTIONS

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in normal course of operations, are recorded at the exchange amount. The exchange amount is at cost for program delivery, and at normal commercial terms for other administrative services. Ministries, agencies and Crown corporations accounted for 80% (1997 - 77%) of program expenditures and 17% of administrative expenditures (1997 - 15%).

11. PENSION PLAN

The Corporation and its employees contribute to the Public Service Pension Plan in accordance with the *Pension (Public Service) Act*. The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the *Act* applies.

6. ADMINISTRATION EXPENDITURES

	1997	1998
EXPENSE	(\$000)	(\$000)
Salaries, Wages and Benefits	12,011	8,148
Professional Services	4,108	3,173
Advertising and Publications	2,046	1,844
Information Systems	1,737	2,422
Building Occupancy	1,665	858
Staff Travel	1,218	791
General Operating	1,172	1,222
Furniture and Equipment	548	844
Amortization	479	386
Board Expenses	318	356
TOTAL	25,302	20,044

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The Plan is a defined-benefit pension plan. The financial position of the Plan is described in the financial statements of the Plan included in the Public Accounts of the Province. The Province of British Columbia has statutory responsibility for any unfunded liability. The most recent actuarial evaluation has determined the Plan is in a surplus position.

12. COMMITMENTS

(a) The Corporation has entered into facilities leases for office space in Victoria, Kamloops, Williams Lake, Prince George, Cranbrook, Campbell River and Smithers expiring on various dates to 2002. The Corporation also leases 29 vehicles. Future minimum payments under these leases are as follows:

Year	Amount (1000)
1999	76,266
2000	33,747
2001	15,900
2002	4,799
TOTAL	130,712

(b) At March 31, 1998, the Corporation has contracted project commitments that carry over to subsequent years, as follows:

Year	Amount (1000)
1999	1,606
2000	1,055
2001	702
2002	630
Subsequent Years	197
TOTAL	4,190

13. SIGNIFICANT SUBSEQUENT EVENTS

On May 28, 1998 the Province of British Columbia announced reductions to stumpage rates. It is anticipated that this stumpage rate reduction will impact Forest Renewal BC by lowering annual revenue by approximately \$233 million.

14. COMPARATIVE FIGURES

Amounts shown for the prior year have been restated to conform with presentation used in the current year.

APPENDIX A

Forest Renewal BC Funding Principles

Consistency with corporate mandate—

Forest Renewal BC will fund only those proposals that are consistent with its mandate to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend on the forest industry.

Incrementality—Forest Renewal BC funds should be used to expand the overall level of investment in the forest economy, rather than displace existing spending. Forest Renewal BC will only invest in programs and projects that would not otherwise be undertaken by government or project proponents.

Wise spending—Projects funded by Forest Renewal BC should demonstrate economy of delivery, efficiency of operation, and effectiveness in achieving desired results.

Regional equity and sensitivity—Forest Renewal BC-funded projects should contribute to the corporation's goals of obtaining regional input into decision making and delivering regionally equitable programming.

First Nations participation—To the greatest extent possible, projects funded by Forest Renewal BC should encourage the participation of First Nations.

Community stability—Forest Renewal BC-funded projects should help enhance long-term community stability and emphasize local employment.

Jobs—Forest Renewal BC investments should sustain or create jobs, or help create conditions that support permanent jobs.

Sustainability—Forest Renewal BC investments should promote sustainability by integrating environmental, economic and social objectives and benefits.

Environmental values—Projects funded by Forest Renewal BC should contribute to restoring and maintaining the ecological integrity and environmental sustainability of the forests.

APPENDIX B

Forest Renewal BC Board of Directors

Roger Stanyer, Duncan

Chair of the Board, Forest Renewal BC

John Allan, Victoria

Deputy Minister, Ministry of Forests

Peter Beulah, Penticton

President, Greenwood Forest Products

Ric Careless, Gibsons

Regional Director, BC Spaces for Nature

Desmond Gelz, Prince George

Vice-President, Forest and Solid Wood Operations,

Northwood Pulp & Timber Ltd.

David Haggard, Port Alberni

National President, IWA-Canada

Donald Hayes, Cobble Hill

Hayes Forest Service Ltd.

Ann Hillyer, Victoria

Partner, Hillyer-Atkins

John Kerr, Vancouver

Chair and CEO, Lignum Group of Companies

JoAnne Kineshanko, Lumby

Mayor, Village of Lumby

Doug McArthur, Victoria

Deputy Minister to the Premier

David McInnes, Vancouver

Chair, Weyerhaeuser Canada Ltd.

Hon. Cathy McGregor, Kamloops

Minister of Environment, Lands and Parks

Garry Merkel, Kimberley

Vice-Chair, Columbia-Basin Trust

Brian Payne, Vancouver

Vice-President, Western Region

Communications, Energy and Paperworkers

Union of Canada

Glenn Robertson, Campbell River

MLA, North Island

George Watts, Port Alberni

Principal, Imhahup Consulting Group

Hon. David Zirnvelt, Williams Lake

Minister of Forests

APPENDIX C

Forest Renewal BC Advisory Committees

Land and Resources Committee

Makes recommendations to the Forest Renewal BC Board of Directors on investments in forest resources and the forest land base.

David McInnes, Chair, Vancouver—Industry
Rod Beaumont, Vancouver—Industry
Bill Bourgeois, Vancouver—Industry
Mark Haddock, Vancouver—Environment
Donald Hayes, Cobble Hill—Industry
Barbara Hislop, Vancouver—Industry
Gary Kobayashi, Vancouver—Labour
Fred Lowenberger, Vancouver—Industry
Jim Maxwell, Victoria—Government
Mike Morton, Ucluelet—Community
Joyce Murray, New Westminster—Silviculture
Dave Neads, Williams Lake—Environment
Chief Earl Smith, Black Creek—First Nations

Environment Committee

Makes recommendations to the Forest Renewal BC Board of Directors on investing in the environmental values of the forest.

Ann Hillyer, Chair, Victoria—Environment
Ralph Archibald, Victoria—Government
Bill Beese, Nanaimo—Industry
Jim Cooperman, Chase—Environment
Wes Giesbracht, Smithers—Community
Don Laishley, Vancouver—Industry
Graham Lea, Vancouver—Industry
Loni Parker, Revelstoke—Community
Paul Senez, Victoria—Environment
Greg Utzig, Nelson—Environment
Rod Willis, Vernon—Industry
Nancy Wilkin, Victoria—Government
Paul Zeegers, Quesnel—Industry

Workforce Committee

Makes recommendations to the Forest Renewal BC Board of Directors on fostering forest employment opportunities, job training and related initiatives to assist forest workers and expand the forest workforce.

JoAnne Kineshanko, Chair, Lumby
John Betts, Nelson—Silviculture
Sandy Gibb, Sunshine Coast—Industry
Ian Harvey, Surrey—Industry
Linda Kaivanto, Victoria—Government
Gwen Phillips-Clement, Cranbrook—First Nations
Armin Pyde, Kamloops—Industry
Bill Routley, Duncan—Labour
Gordon Rowland, Vernon—Industry
Terry Smith, Vancouver—Labour
Ivan Thompson, Smithers—Community
George Watts, Port Alberni—First Nations
Paul West, Victoria—Environment
Fred Wilson, Vancouver—Labour
David Yarmish, Prince George—Industry

Communities Committee

Makes recommendations to the Forest Renewal BC Board of Directors on supporting forest-based community development and adjustment.

Garry Merkel, Chair, Kimberley
Peter Boothroyd, Vancouver—Education
Chris Brown, Victoria—Government
Betty Davies, Smithers—Community
Claudette Everitt, Vernon—Community
Kevin Kelly, Kamloops—Labour
Steve Lorimer, Crofton—Industry
Ken McLeod, Victoria—Government
Chris Robertson, Gibsons—First Nations

Keith Spencer, Vanderhoof—Industry
Mike Tarr, Prince Rupert—Community
Ray Travers, Victoria—Environment
Doug Weir, Revelstoke—Community

Value-added Committee

Makes recommendations to the Forest Renewal BC Board of Directors on investments that assist forest industry diversification, further processing of the wood supply, and increased manufacturing of wood products.

Desmond Gelz, Chair, Prince George
Peter Beulah, Penticton—Industry
Robert Bird, Penticton—Industry
Morris Douglas, Kelowna—Industry
Joan Easton, Victoria—Government
Frank Everitt, Prince George—Labour
David Haggard, Port Alberni—Labour
Robert Holm, Surrey—Industry
David Jacobsen, Williams Lake—Industry
Josie MacNeill, Cranbrook—Industry
Bill St. John, Vancouver—Industry
Ron Small, Qualicum Beach—Industry
Shaun Sullivan, Vancouver—Industry
Leonard Thomas, Fort St. John—First Nations
Laurie Vaughan, Anahim Lake—First Nations
Arnold Zweirs, Prince George—Industry

Research Working Group

Advises the Forest Renewal BC Board of Directors on strategic direction and the effectiveness of research and development investments.

Ralph Torney, Chair, Victoria
Dr. Ted Baker, Victoria—Government
Bill Beese, Nanaimo—Industry
Dr. Clark S. Binkley, Vancouver—Education
Max Blouw, Prince George—Education
Peter Boothroyd, Vancouver—Education
Bill Bourgeois, Vancouver—Industry
Dr. Suezone Chow, Vancouver—Industry
Jim Dangerfield, Vancouver—Industry
Mark Haddock, Vancouver—Environment
Robert Holm, Surrey—Industry
Kevin Kelly, Kamloops—Labour
Shawna Meade, Victoria—Education
Alex Sinclair, Vancouver—Industry
Shaun Sullivan, Vancouver—Industry
Greg Utzig, Nelson—Environment
Dr. Paul West, Victoria—Environment
Carl Winget, Victoria—Environment

APPENDIX D

Forest Renewal BC Offices

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Phone: 250-565-4400
Fax: 250-565-4409

Pacific Region

215 1180 Ironwood Street
Campbell River, BC
V9W 5P7
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Fax: 250-286-7720

Skeena-Bulkley Region

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Smithers, BC
V0J 2N0
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Fax: 250-847-7840

Thompson-Okanagan Region

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Kamloops, BC
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Victoria Office

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